Liz Booth spoke to leading members of global broking network UNIBA Partners as part of our Future of Risk Distribution survey, sponsored by Sompo International. The brokers discussed how their industry can help customers deal with the hard market and difficulties thrown up by Covid-19. We also looked at how the broking profession can evolve to meet ever-changing customer demands...

Pandemic and hard market offer golden opportunity for brokers to demonstrate value

◇ UNIBA

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Brussels in lockdown: Covid-19 has created unique challenges for the whole insurance market

The current hard market, where insurance is hard to find, provides the perfect opportunity for brokers to show their value to clients, agreed a group of UNIBA Partners speaking as part of *Commercial Risk Europe*'s Future of Risk Distribution survey. This opportunity has been magnified by the Covid-19 pandemic, which has created some unique challenges for the whole insurance market as well as risk managers and their organisations, they added.

Alfonso Ansotegui, managing partner at Spanish brokerage ATS Hanseatic, summed it up: "A hard market should be the preferred environment for brokers, because this is when we can demonstrate our value. Anyone can be a broker in a soft market, but now is the time to be a good broker.

"I believe a good understanding of the risks and of the new policies available is key, as well as the ability to find answers for our clients," he added.

There was broad agreement that the hard market is all part of a regular cycle and that a soft phase will follow once more in due course. However, the group also agreed that the pandemic has added complexity to conversations between clients, brokers and insurers.

Geoffrey Roederer, owner of French broker Roederer, said: "It is important to differentiate parts of the market and not assume it is the same across the board. But one thing that insurers did very well with in 2020 was their speed of preparation ahead of the 2021 renewals."

He said some insurers, on the employee benefits side in particular, had prepared for the renewals by July last year. This was an impressive feat, he said, given the pandemic and difficulties with home working to contend with. He is optimistic that early preparation will roll over for the 2022 renewals.

CAPACITY CRUNCH

However, Mr Roederer said things were not quite the same in P&C classes, where he found it harder to find capacity and there were fewer insurers willing to take on risks.

"The worst thing was that renewals could only start in October. Insurers broadly were blaming reinsurers, saying it was hard to settle the reinsurance coverage before then. We had to do a lot of work with our customers to explain the many changes, both in terms of capacity and also in terms and conditions," he added.

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Joe Perry, head of international at Sutton Winson, agreed that the 1 January 2021 renewals had been much tougher than the previous year, involving both higher costs and lower capacity, particularly in financial lines. Areas such as D&O and management liability were the hardest insurances to find, he said.

In fact, some clients faced the tricky situation of being turned down by the insurance market and Mr Perry said it led to some very frank conversations about expectations and what was available.

"Our situation in the UK was not only complicated by Covid-19, we also had Brexit to deal with," he said. "The hardening market coupled with uncertainty made for interesting times."

The key for all the brokers was communication. Making sure clients fully understood what was happening, what it would mean for them and ensuring there were no nasty surprises at the end of the day was vital.

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There were are other factors at play, making life tricky during renewals, said Robert Havekotte, CEO at Netherlands-based Van Luin. "For the first time we have seen this year a change in terms of who we can access to discuss a programme. One of the biggest changes is that underwriting authority is no longer with the local underwriter. Increasingly, our programmes have to go to head office for sign-off."

This was echoed by Tommaso Bazzi, CEO of Bazzi and Partners in Italy, who is also worried by this trend and the lack of local authority.

"**One of the biggest** changes is that underwriting authority is no longer with the local underwriter. Increasingly, our programmes have to go to head office for sign-off"

CANCELLED COVER

Another massive problem for brokers and insureds was the way in which insurers simply cancelled policies in their thousands last year, insisting that they had to be renegotiated or there was no longer any cover available.

Mr Havekotte said his firm had to work extremely hard renegotiating – even on policies where there had been an extremely good claims history and had been profitable business for the insurer.

Mr Ansotegui agreed wholeheartedly, saying it had been the same in Spain. He did, however, have a few words of comfort for insureds. The broker believes insurers have now fixed their positions and chosen their preferred lines of business, so it is unlikely insureds will face the same nightmare again for 2022 renewals.

The scale of the disruption meant that it was the middle of May before the final deals were agreed on some 2021 renewals, according to Mr Havekotte. Mr Perry wondered whether that was as much to do with the fall in service levels from insurers.

Christian Hortkorn, owner of Dr Friedrich E Hortkorn, said the market issues were reflected in Germany too. "It is much more important to have a good relationship with the insurer now," he said. "If you are discussing a usually profitable piece of business with the insurer, it is a little easier."

The brokers agreed that one benefit of the tough market was they were able to work closely with their clients to develop strong insurer relationships for the longer term. That tripartite relationship has never been more important than in the current hard market, they agreed.

Know your risk and talk to your broker

◇ RISK DISTRIBUTION

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Risk managers must understand what is covered under their insurance programmes and combine this knowledge with enhanced risk management for risk transfer to truly deliver, agreed a group of brokers from UNIBA Partners.

The pandemic has highlighted the real importance of understanding cover, stressed Alfonso Ansotegui, managing partner at Spanish broker ATS Hanseatic. For him, this is one of the key messages for risk managers as they approach the 2022 renewals later this year.

In a warning for risk managers, the brokers said that too often insureds are in a hurry and do not dedicate enough time to their insurance programme, being eager to get the deal done and move on. The brokers believe that spending more time analysing and stress-testing under a range of scenarios pays off in the long run, helping to ensure the right cover has been purchased.

This was made clear when the pandemic hit and some companies were left without cover that they thought they had.

Geoffroy Roederer, owner of French brokerage Roederer, said that in the immediate aftermath of the first lockdown in France, the country's government investigated how many insurance programmes would pay out on the pandemic. The resulting study found some 93% of wordings were crystal clear that there would be no payment for pandemic-related losses. Of the remaining 7%, some 4% were "grey", while just 3% would cover pandemic-related losses.

Joe Perry, head of international at UK firm Sutton Winson, was among those to argue that brokers did not mislead customers about pandemic cover. "However, the pandemic highlighted ambiguity in some policy wordings, which created uncertainty. Ultimately, it comes down to communication and managing expectations to ensure insureds understand if, and how, their policy will respond," he said.

Mr Perry said this has implications for the growing use of technology to place risks, and urged brokers not to forget the importance of in-depth advice. "There has been a big move towards e-trading and the use of technology at the expense of advised sales, but we still see a clear need for that advice," he said.

That is not to say that brokers in this UNIBA Partners group should not, and will not, take full advantage of the technology available, but Mr Perry said there is a need to ensure balance. "Use technology where it enhances the service, but not instead of the service," he said.

Mr Roederer warned that bad communication would do nothing other than allow disruptors into the broking space and threaten the broker channel. He urged his fellow brokers to focus on data.

Geoffroy Roederer said banks are already eyeing up the insurance market

"We need to improve the data offering," he said, but called for more standardisation for the benefit of everyone.

Mr Roederer suggested that banks are already eyeing up insurance. More collaboration in terms of data usage would enable the insurance sector to ward off such competitors, he argued.

Meanwhile, Robert Havekotte, CEO at Dutch firm Van Luin, believes brokers should focus on creating their own platforms rather than being forced to use those of insurers.

"Our biggest opportunity is to work with clients on identifying any problems created by insurers and to make their lives easier. We can do that through creating platforms but we do not want to simply have such a platform imposed on us by the insurers. Because that will not serve our customers as well as it will the insurer," he said.

"Technology will allow us to do business better and spend more time with our clients – and that is a big win," he added.

The group agreed that mid-size brokers will have a big role to play well into the future because of the added value that they can offer to clients.

They said only time will tell how customer service will evolve among the new groups created by the spate of broker mergers and acquisitions, but they questioned whether the large companies will provide a level of service that competes with mid-sized players.

And they said there is real value in the global broking network to which they belong. They agreed it provides confidence that they can speak to partners in other countries and know their client will get the same level of service that they would expect in their home market.

"We are discussing the business with likeminded professionals who will service our clients properly because they share the same ethos and not purely on the basis of commission," said one.

Mr Ansotegui agreed, adding: "My client will be treated as a principal wherever the business is located and will not simply be handed over to whoever is on the list regardless of the fit."

And Mr Hortkorn likened the arrangement to that of a family. "It is a different philosophy, but it is one that we share. It works well and serves our clients best," he said.